

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 OMB-01 EPG-02

CEA-01 AID-05 IGA-02 CIAE-00 INR-07 NSAE-00 PA-01

PRS-01 USIA-06 SS-15 NSC-05 SP-02 FRB-03 /084 W

-----261047Z 052610 /10

R 261011Z MAY 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4374

TREASURY DEPT WASHDC

INFO AMEMBASSY LISBON

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY OSLO

AMEMBASSY BERN

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY CARACAS

AMEMBASSY OTTAWA

AMEMBASSY BONN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EFIN, PO, UK

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: STATE 117741

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SUMMARY: UK TREASURY OFFICIALS REPORT THAT MINISTERS
HAVE NOT YET FOCUSED ON AMOUNT AND TIMING OF LOAN TO PORTU
GAL. THE POLITICAL DISPOSITION IS TO DO SOMETHING BUT IT
MAY BE ONLY TOKEN IN NATURE. END SUMMARY.

1. FINANCIAL ATTACHE CALLED ON NICK JORDAN MOSS, DEPUTY
SECRETARY, HMTREASURY, WHO IS REPLACING SIR DEREK MITCHELL

FOR THE NEXT 2 MONTHS UNTIL MITCHELL'S SUCCESSOR, KEN COUZENS, TAKES ON HIS NEW RESPONSIBILITIES. ALSO PRESENT WAS GEOFFREY FITCHEW, WHO ATTENDED THE MAY 16 SESSION FOR THE UK. AFTER LISTENING TO THE US PRESENTATION, OUTLINED IN REFTEL, JORDAN MOSS SAID MINISTERS HAVE NOT CONSIDERED DETAILS OF A LOAN TO PORTUGAL. THE POLITICAL DISPOSITION IS TO DO SOMETHING BUT AS YET THERE IS NO DECISION EVEN IN PRINCIPLE TO MAKE THE LOAN NOR HAS THERE BEEN SERIOUS CONSIDERATION OF THE AMOUNT.

2. JORDAN MOSS PROMISED TO BRING THE ISSUE TO MINISTERS AS SOON AS POSSIBLE, NOTING US DESIRE TO MAINTAIN STEAM BEHIND THE OPERATION. HE SAID HE DID NOT KNOW THE CHANCELLOR'S MIND. ALTHOUGH THE UK BALANCE OF PAYMENTS IS IMPROVING AND RESERVES ARE HIGH, THE UK IS BY NO MEANS OUT OF THE WOODS."SOME ELEMENT OF UK RESERVES INCLUDE SHORT-TERM FUNDS OF A POTENTIALLY VOLATILE NATURE." THE DEGREE OF SUCCESS THAT WILL BE ACHIEVED BY PHASE 3 OF INCOMES POLICY IS UNCERTAIN. HE ADDED, "IT ILL BEHOOVES US TO BORROW FROM THE IMF AT 4 PERCENT AND LEND IT TO PORTUGAL AT 8 PERCENT."

3. JORDAN MOSS SAID THE REAL STICKING POINT AND DIFFICULTY WOULD BE THAT THE LOAN WOULD HAVE TO BE INCLUDED IN THE BUDGET. UK IS UNDER TIGHT PUBLIC EXPENDITURE CONSTRAINTS, IMPOSED IN PART BY THE IMF. FUNDS FOR PORTUGAL WOULD PRESUMABLY HAVE TO COME OUT OF THE AID PROGRAM, WHICH IS ALREADY OVERSTRAINED. THERE ALSO COULD BE SOME DOMESTIC POLITICAL DIFFICULTIES BECAUSE OF THE TIGHT LIMITED OFFICIAL USE

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STRICTURES BEING IMPOSED UPON LOCAL GOVERNMENT SPENDING; I.E., SOME COULD CLAIM CHARITY BEGINS AT HOME.

4. JORDAN MOSS, STRESSING HE WAS GUESSING, SAID HE EXPECTED THE UK CONTRIBUTION WOULD BE "A TOKEN ONE." FINANCIAL ATTACHE REPLIED THAT THE US IS ASKING THE IRISH AND THE ITALIANS FOR A TOKEN PARTICIPATION, SURELY THE UK COULD

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R 261011Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4375
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DO SOMETHING BETTER. FINANCIAL ATTACHE SPECIFICALLY
MENTIONED \$25-\$40 MILLION AS AN APPROPRIATE MINIMUM AMOUNT
FOR THE NEXT 12 TO 18 MONTHS. JORDAN MOSS REPLIED HE
WOULD STAY IN CLOSE TOUCH AND TAKE SOUNDINGS WITH HIS
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POLITICAL MASTERS AS SOON AS POSSIBLE.

5. CONCLUDING, JORDAN MOSS SAID THE TIME IS NOT YET RIGHT
FOR THE US TO INFORM OTHER POTENTIAL PARTICIPANTS OF THE
UK POSITION. HE ASKED WE KEEP HIS COMMENTS TO OURSELVES.
AS SOON AS POSSIBLE HE WILL PROVIDE A MORE FORMAL STATE-
MENT OF THE UK POSITION THAT HOPEFULLY WILL BE HELPFUL.
HE DID NOT WANT VIEWS SET FORTH ABOVE TO BE DISTRIBUTED
NOW: "IT MIGHT DISCOURAGE THE OTHERS."

6. FITCHEW SAID HE UNDERSTOOD THE PROPOSED DATES OF THE NEXT SESSION WERE EITHER JUNE 25 OR 27 (NOT JUNE 22). HE ASKED IF HE HAD MISUNDERSTOOD DURING THE PARIS MAY 16 SESSION. HE ALSO ASKED IF U.S. HAS ANY INFORMATION ABOUT HOW THE GERMAN AND JAPANESE CONTRIBUTIONS WILL BE HANDLED; I.E., WILL THEY BE THROUGH THE BUDGET?

7. COMMENTING ON THE MAY 16 SESSION, FITCHEW AND JORDAN MOSS REMARKED THE BELGIANS GENERALLY LIKE TO WRAP ASSISTANCE IN AN "EC WRAPPER"; THIS IS NOT A CONCERN FOR THE UK. FITCHEW NOTED THE DUTCH HAD LINKED THE PORTUGUESE LOAN TO THE EC ACCESSION NEGOTIATIONS, BUT HE WAS NOT AWARE OF ANY OTHER EC COUNTRIES HAVING DONE SO.

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Message Attributes

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